



ALBERT M. COHEN  
of Loeb & Loeb LLP

10100 Santa Monica Boulevard  
Suite 2200  
Los Angeles, CA 90067-4120

Direct 310.282.2228  
Main 310.282.2000  
Fax 310.919.3825  
acohen@loeb.com

Via Facsimile

March 13, 2006

CONFIDENTIAL – FOR SETTLEMENT PURPOSES ONLY

Karl Fingerhood  
U.S. Department of Justice  
Environmental Enforcement Section  
U.S. Department of Justice  
ENRD Mailroom, Room 2121  
601 D. Street, N.W.  
Washington, D.C. 20044-7611

Re: United States V. Powerine Oil Company et al.  
Civil No. CV-04-6435 PA(JWJX) USDC C.D. Cal.

Dear Karl:

In preparation for our conference call on March 17, 2006, at which time we hope to be able to start discussing concrete settlement numbers, you asked that we provide you with an updated estimate of how much it is likely to cost to clean up the Powerine refinery site. As you know the investigation is still ongoing and we do not yet have a definitive cost estimate. However, we requested that our consultant, BB&L, come up with a figure based on the most recent sampling data. Please keep in mind that this is being submitted confidentially, for settlement purposes, and we request that this information not be shared with any third parties.

BB&L has informed us that it recently installed 220 soil borings and the sampling results show multiple soil impact areas which extend to the water table which is approximately 110' below ground surface ("bgs"). The primary chemicals of concern are petroleum hydrocarbons, petroleum product constituents including volatile organic compounds ("VOCs"), polynuclear aromatic hydrocarbons ("PAHs"), petroleum product additives and processing chemicals including VOCs such as PCE, 1,1,1-TCE and methylene chloride, and metals. BB&L estimates that in the upper 20 feet alone, there are some 200,000 tons of soil exceeding regulatory thresholds which must be treated or removed. In addition, there is substantial contamination below 20' which is a source of groundwater contamination. This needs to be further characterized and will need to be addressed by some form of remediation such as vapor extraction.

Groundwater has been impacted by light non-aqueous phase liquids ("LNAPL"), total petroleum hydrocarbons as gasoline ("TPH-g"), BTEX and MTBE. TPH-g has been detected at levels in excess of 10 mg/l and benzene above 150 mg/l. High levels of toluene, ethylbenzene and total xylenes have also been found. The benzene plums extends approximately 3,700 feet north to



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south and 3,400 feet east to west. MTBE was also found in a number of wells up to 290 mg/l. Some halogenated VOCs have also been found in groundwater.

In order to more fully understand what we are up against, we now estimate that it will cost an additional \$1 million to complete the investigation of the site. Preliminary assessments lead us to believe that it will cost \$13 million to \$18 million to address soil contamination, and an additional \$4 million to \$8 million to address groundwater contamination.

In addition, Powerine must remove and decommission numerous oil wells. (Additional investigation will be needed to confirm how many wells are located on the site). Powerine estimates that it will cost an additional \$3 million to \$5 million to properly decommission these wells. Powerine will also have to remove and dispose of the surface structures which include a large number of tanks, large amounts of piping and asbestos containing material, and subsurface structures such as foundations, piping and utility systems. Powerine estimates that it will cost an additional \$5 million to \$10 million to complete this effort.

In sum, Powerine estimates that it will cost between \$26 million and \$41 million to clean up the refinery site.

Please feel free to call if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Albert M. Cohen", with a long horizontal flourish extending to the right.

Albert M. Cohen  
of Loeb & Loeb LLP

AMC:ee  
07152010002  
LA1036042.1

cc: Vincent J. Papa



Main 310.282.2000  
10100 Santa Monica Boulevard  
Suite 2200  
Los Angeles, CA 90067-4120

## FACSIMILE

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**Date:** March 13, 2006

**Time:** 4:58 PM

**To:** Karl J. Fingerhood  
United States Department of Justice

**Fax:** +12.0251.425.83  
**Phone:** 202.514.7519

**From:** Albert Cohen  
**Personal ID:** 10821  
**Client/Re:** 071520-10001

**Fax:** 310.919.3825  
**Phone:** 310.282.2228

**Pages (including Cover):** 3

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